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Includes PSD Changes: No
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Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICAN CONGRESS ASKS FOR INVESTIGATION OF WAL-MART FOR MONOPOLISTIC PRACTICES

A Congressional committee has requested that the parastatal consumer protection commission, COFECO, investigate Wal-Mart for monopolistic practices. Of particular interest to the committee are Wal-Mart's vendors' agreements. The vendors' agreements require Wal-Mart's suppliers to give Wal-Mart the best deal possible. Wal-Mex, the parent group of Wal-Mart in Mexico, did not comment on the proposed investigation. According to the Mexican stock exchange, Wal-Mart controls 65 percent of the supermarket market in Mexico. (Source: *El Financiero*, 7/30/04)

MEXICAN EXPORTERS TO COMPLY WITH FIRST FDA REQUIREMENTS

From the seven thousand Mexican food-processing companies that export products to the United States, 90 percent have complied with the Bio-terrorism Law's first requirements. After several extensions, the law will be enforced on August 12, 2004. Exporters know that non-compliance with established requirements could cause detention of goods in customs facilities along with the applicable economic sanctions. Fines range from US\$500 to US\$5000 depending on the infraction. Brad Skinner, Commercial Attaché at the U.S. Embassy in Mexico City, said that the previous announcement that exporters must provide FDA with information in advance would allow the identification of elements and agents involved in the imported products' production and supply chain. Official figures from the Secretariat of Economy (SE) revealed that during 2003, the Mexican food industry exported fresh and processed products valued at US\$2.5 billion. (Source: *El Financiero*, 7/28/04)

SUGAR SUPPLY/DEMAND CONFLICT PERSISTS

The sugar supply/demand conflict continues among sugar users. While the industry claims there are enough supplies to meet demand, end sugar users claim there is not. The main affected industries are soda drink companies, bread, cookies, chocolate and sweets manufacturers. The soda industry could again request that the Secretariat of Economy establish a TRQ to import sugar. (Source: *Economista*, 8/02/04)

INDUSTRY NEGOTIATIONS ON SUGAR SUSPENDED

After nine months of searching for an agreement to find a solution to the sweetener conflict between Mexico and the United States, the sugar industries of both countries suspended the negotiations because of a lack of consensus about exports of Mexican refined sugar. According to the Vice-President of the National Chamber for Sugar and Alcohol Industries,

Ruben García Treviño, the negotiations were suspended because the United States insisted that Mexico send raw sugar, which is not produced in Mexico, instead of refined sugar, which is. According to him, this is the only issue where both parties disagreed. (Source: *Reforma*, 8/3/04)

CITRUS PRODUCERS IN YUCATAN RECEIVE GOVERNMENT SUPPORT

Citrus production in the state of Yucatan is a priority for the local government because of the employment and income it generates. The government has implemented plant health, quality improvement, value-added, commercialization and infrastructure programs to benefit citrus producers. The state of Yucatan has about 20,000 hectares dedicated to citrus production with about 13,000 citrus producers located in the southern part of the state, namely Dzan, Akil, and Oxxkutzcab. The Citrus Association received government training to make administrative efficiency improvements for a juice processing plant. This same association also received credit to buy a lemon oil extractor to process 7, 000 MT of lemon oil for the Coca-Cola Company. (Source: *Financiero*, 7/30/04)

YUCATAN'S PORK PRODUCERS COMPLAIN AGAINST U.S. IMPORTS

According to a local newspaper, the President of the Association of Pork Producers in the state of Yucatan, Carlos Ramayo Navarrete, demanded that federal authorities establish urgent measures to deny entry of U.S. pork into the country. He indicated that the situation of the local pork producers is precarious, since they have to compete with U.S. pork imports which alone meet 60 percent of total demand for pork in the state of Yucatan. Ramayo stated that 500,000 metric tons of pork is imported annually to the Yucatan, resulting in losses of US\$450 million to the local pork industry. Ramayo also complained that his requests to the federal authorities on this matter have fallen on deaf ears. (Source: *El Financiero*, 7/30/04)

PRIVATE ANALYSTS FORESEE SMALLER ECONOMIC GROWTH THAN THE CENTRAL BANK

Mexico's economic recovery is "completely on course," the rating firm Moody's reported. However, the firm did not show the exact same optimism as did Mexico's Central Bank (Bank of Mexico), which revised its projection for Mexico's 2004 GDP growth to 4.25 percent. Moody's pointed out that its economic growth forecast was 3.9 percent. According to the firm, the GOM improved its debt position based on the discipline of its fiscal and monetary policies, flexible exchange rate and the favorable NAFTA impact. However, Moody's mentions that the absence of structural reforms is a negative sign. (Source: *La Jornada*, 7/28/04)

WTO AGREES TO REDUCE AGRICULTURAL SUBSIDIES

WTO members agreed to a historic deal to substantially reduce agricultural subsidies, create more open international markets and refocus the problematic negotiations about world commerce. After five days of discussion, the 147 WTO members committed to eliminate the subsidies on agricultural exports, which has been one of the underdeveloped countries' principal demands. An official communication from the Secretariat of Economy (SE) indicated that, "Mexico feels satisfied with this agreement for a lot of reasons." (Source: *Reforma*, 8/1/04)

CANCUN TOURISM BOOMING

Summer tourism is booming at a level not seen for ten years. According to the city of Cancun's Tourism Office, 97 percent of the 27,000 hotel rooms are or will be occupied for

July and August. Over 700,000 tourists, both international and domestic, are expected in these two months alone. Hotels on the Riviera Maya, along the Caribbean coast south of Cancun, also are at near capacity. (Source: *El Financiero*, 7/30/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

| NUMBER | TITLE | DATE |
|--------|---|---------|
| MX4096 | Weekly Highlights & Hot Bites, Issue #29 | 7/27/04 |
| MX4097 | Mexico's New Over Quota Import Tariff for Yellow Corn | 7/30/04 |
| MX4098 | Six-month Extension of NOM-EM-006-PESC Regulating the Import of Live & Dead Crustaceans | 8/2/04 |

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